DEBT MANAGEMENT POLICY

TOWN OF FORT MYERS BEACH, FLORIDA

6/18/2015

Preamble

This Policy is adopted pursuant to the recommendation of the Audit Committee of the Town of Fort Myers Beach for incorporation into the Town's Administrative Code.

1. Authorization to borrow:

Pursuant to the powers and limitations contained in the Constitution of the State of Florida, the Town Charter, Section 166.111, Florida Statutes, and as otherwise provided by law, the Town of Fort Myers Beach, Florida (the "Town") may borrow money, contract loans, and issue bonds from time to time to finance the undertaking of any capital or other authorized project and may pledge the funds, credit, property and taxing power of the Town for the payment of such incurred debts.

2. Administration of debt policy: The Finance Director of the Town is responsible for overseeing and implementing the provisions of this policy. This responsibility shall include:

a. Participation as a member of the finance team in the issuance of any debt obligations of the Town.

b. Recommendations to the Town Manager and Town Council to include

1. Specific projects for debt financing; and

2. The selection of any external agents (bond counsel, financial advisors, underwriters, arbitrage rebate consultants, paying agents, trustees, printers, etc.);

c. Additional duties.

1. To review the proposed annual capital expenditures and financing plan; and

2. To ensure all continuing disclosure requirements are met following the sale of bonds.

d. Subject to the authority provided by the Charter and Part II of Chapter 166, Florida Statutes, the Town Council is responsible for the approval of any form of the Town's borrowing and the details associated therewith. Unless otherwise designated, the Finance Director shall coordinate the administration and issuance of debt.

3. General Policy: This policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of this policy that: (a) the Town obtain financing only when necessary; (b) the process for identifying the timing and the amount of debt financing be as efficient as possible; and, (c) the most favorable interest rate and other related costs be obtained.

Debt financing, to include general obligation bonds, special assessments bonds, revenue bonds, bank notes, lease/purchase agreements, private placements, and other town obligations permitted to be issued or incurred under Florida law, shall only be used to purchase capital assets that cannot be acquired from current resources, or refunding of existing debt. The estimated useful life of the asset or project shall exceed the payout schedule of the debt the Town assumes. This allows for a closer match between those who benefit from the asset and those who pay for it.

4. Use of debt financing: Debt financing shall not be considered appropriate for any recurring purpose such as current operating and maintenance expenditures except as provided in Section 5. The Town shall use debt financing only for capital improvement projects, for equipment purchases, or for refunding existing debt, consistent with the following:

a. The project is included in the Town's capital improvement plan and is consistent with the Town's comprehensive plan;

b. The project's estimated useful life, or projected service life of the equipment, shall exceed the term of the financing;

c. There are revenues sufficient to service the debt;

d. The debt shall be used primarily to finance capital projects with a relative long life, typically 10 years or longer;

e. Equipment purchases shall be for items that are purchased infrequently, having an expected useful life of at least five years, and a value in excess of $100,000; and

f. The refunding of existing debt shall be used to achieve debt service savings, to restructure debt, or modify onerous covenants contained in bond documents.

5. Short term debt: Short term debt consists primarily of bank notes or lease-purchase agreements that will be used under any of the following conditions:

a. Purchase of equipment or other assets with a useful life of two to five years;

b. The process of acquiring capital assets is not complicated; or

c. The use of long-term debt is too expensive and impractical.

The use of short term debt for operating purposes, except in the case of a natural disaster or other similar emergency as designated by the Town Council, is specifically prohibited under this policy.

6. Long-term debt: Long term debt shall include the following instruments:

a. General obligation bonds that pledge the full faith and credit of the Town as permitted by the State Constitution;

b**.** Revenue bonds intended to finance enterprises or projects that involve the purchase, lease, or acquisition of real property by the Town;

c. Special assessment bonds that are special obligations of the Town payable solely from the proceeds of special assessments levied for an assessable project; and

d. Lease/Purchase Agreements that are in excess of five years.

7. Refunding of debt:

a. The Town may consider (within federal tax law constraints) issuing refunding bonds to achieve debt service savings on its outstanding obligations by redeeming high interest rate debt with lower interest rate debt.

b. The Finance Director and the Financial Advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the present value savings of a particular refunding should exceed 3%.

c. Refunding issues that produce a net present value savings of less than 3% will be considered on a case-by-case basis. Refunding issues with negative savings shall not be considered unless there is a compelling public policy objective.

8. Debt Guidelines: The following guidelines shall govern the issuance of new debt financing:

a. The maturities of debt shall be less than useful estimated life of the item being financed.

b. Where practical the debt service structure of a new money financing should be level debt service if economically feasible.

c. The use of credit enhancement should be evaluated on an issue by issue basis if only used for achieving economic benefits. Letters of Credit, bond insurance, etc. may be used to improve credit quality and thereby lower interest costs. Such credit enhancements may be used when net debt service on a specific bond issue is reduced by more than the costs of the enhancement, taking the time value of money into consideration.

9. Sales Process for Long-Term Bonds:

a. The Town's policy is to sell public debt using the method of sale expected to achieve the best results. Bonded debt may be issued by competitive sale, negotiated sale, or private placement as current circumstances dictate.

b. Competitive bidding shall be used in the sale of bonded debt unless the nature of the issue warrants a negotiated sale or a private placement. The award of a competitive sale shall be made on a true interest cost (TIC) basis as indicated in the individual circumstances and as agreed to by the Finance Director and, if any, the Financial Advisor.

c. If conditions for a competitive bond sale are not available, then the following practice shall apply to negotiated bond sales:

1. A competitive underwriter selection process that ensures multiple proposals are considered shall be used.

2. The Finance Director and, if applicable, the Financial Advisor shall remain actively involved in each step of the negotiation and sales process to uphold the public trust.

3. The Finance Director and, if applicable, the Financial Advisor, must be familiar with and abreast of the condition of the municipal market, shall assist in structuring the issue, pricing, and monitoring sales activities. The Financial Advisor shall submit recommendations regarding the method of sale, structure and timeline for the issue to the Town in written form.

4. The Town shall require that advisors and consultants disclose the name(s) of any person or firm compensated to promote the selection of the underwriter; any existing or planned arrangements between the outside professionals to share tasks, responsibilities and fees; the name(s) of any person or firm with whom the sharing is proposed; and, the method used to calculate the fees to be earned.

d. The Town may seek funding by way of a private placement or bank loan where the size and structure of the borrowing does not warrant the issuance of publicly offered debt. The Town's Financial Advisor shall compare the overall cost of the private placement with those of a public offering and recommend the most cost-effective approach.

10. Financing team

The Finance Director shall undertake to organize the Financing Team at the earliest possible moment after a decision has been made by Town Council to acquire long-term debt. The financing team may consist of a Financial Advisor, Bond Counsel, an Underwriter, a Paying Agents/Registrar, a Trustee and others as needed. The Financial Advisor should be the first person to be hired and be available to assist in selecting the rest of the Financing Team.

11. Capital improvement plan

The Finance Director shall prepare, as part of the annual budget process, the capital improvement plan that will be submitted to the Town Council for approval. Such capital improvement plans shall address, at a minimum, the amount of debt projected to be issued within the next five fiscal years.

Factors to be considered in the projections are:

a. Forecast of spending levels for capital projects;

b. The availability of internal funds to pay for capital projects; and

c. Desired and actual debt service coverage levels.

12. Investment of bond proceeds

The proceeds of the bond sales will be invested until they become necessary for the intended project in order to maximize the utilization of public funds. The investments shall comply with the Town's Investment Policy unless superseded by bond covenants or a related agreement. All bond proceeds shall be invested in a manner to avoid, if possible, or minimize any potential negative arbitrage over the life of the bond issue. Bond proceeds are to be used for the construction or acquisition of capital assets and, subject to the requirements of the Town's Investment Policy, shall be conservatively invested according to draw schedules which shall be amended as needed.

13. Arbitrage

It is the Town's policy to minimize the cost of arbitrage rebate and yield restrictions while strictly complying with federal and state law. Because of its complex nature, the advice of bond counsel or other qualified experts shall be sought whenever questions regarding arbitrage rebate and/or yield restrictions arise. The Finance Director shall maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the Internal Revenue Code.

14. Continuing Disclosure Requirements

The Finance Director with the assistance of the Financial Advisor and bond counsel shall develop and maintain all the necessary documents for disclosure. All debt issues shall meet the disclosure requirements of the Securities and Exchange Commission and other government agencies before and after the bond sales take place. The Town's comprehensive annual financial report (CAFR) will be the primary vehicle for compliance with the continuing disclosure requirements. The CAFR may be supplemented with additional documentation, if necessary. The Town shall follow a policy of "full disclosure" in its CAFR and bond instrument statements. The Finance Director shall be responsible for filing the CAFR in providing disclosure on the status of all relevant material events to the Municipal Securities Rulemaking Board, (MSRB) via the Electronic Municipal Market Access (EMMA) system.

15. Conduit Financings

The Town may not under any circumstances sponsor conduit financing.

16. Debt Limitations:

Accumulated indebtedness of General Obligation Bonds, at any point in time, shall not exceed 1.0% of the value of taxable property of the Town of Fort Myers Beach, as determined by the last evaluation made for State or County purposes. The indebtedness limitation shall not apply to Revenue Bonds or any self-assessed indebtedness incurred to finance the costs of the acquisition, construction or improvement of water utility and storm water systems.